



Amy G. Rabinowitz
Counsel

April 12, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-88E

Dear Secretary Cottrell:

I am enclosing the responses of Massachusetts Electric Company and Nantucket Electric Company to the Department's Third Set of Information Requests in the above-captioned matter.

Thank you very much for your time and attention to this matter.

Very truly yours,


Amy G. Rabinowitz

cc: John J. Geary (2 copies)
Sean Hanley (1 copy)
Stephen Crowley (1 copy)
Barry Perlmutter (1 copy)
Colleen McConnell (1 copy)

Responses to the Department's Third Set of Information Requests

DTE 3-1

Request:

For the years 2002, 2003, and 2004, please list the monthly costs (actual and projected) assessed to MECo by the Independent System Operator – New England (“ISO-NE”) associated with the development, implementation, and ongoing operation and administration of New-England Generation Information System (“NE-GIS”). For each month, separate the costs into those associated with the Company’s standard offer service obligations and default service obligations.

Response:

Please see page 1 of the attachment to this response for the actual NE-GIS costs incurred by the Company for the period December 2001 through February 2004. The Company was not assessed NE-GIS costs for the period prior to December 2001. On page 2 of the attachment to this response, the Company is providing both an estimate of NE-GIS costs that it expected to incur for the period March 2003 through February 2004 as well costs it may likely incur for the period March 2004 through December 2004.

The Company estimated NE-GIS costs that it expected to incur for the period March 2003 through February 2004 based on its actual Standard Offer and Default Service loads for the period and actual ISO billing determinants (total GIS Load and total GIS costs) for the period.

The Company estimated NE-GIS costs it may likely incur for the period February 2004 through December 2004 based on its estimate of expected costs for the period March 2003 through December 2003 as adjusted for the change in billing rates under the NEPOOL GIS contract (from \$0.0173 per MWh in 2003 to \$0.0123 per MWh in 2004).

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
Nantucket Electric Company
ISO-NE Charges for GIS
Actual: December 2001 - February 2004

<u>Service Period</u>	<u>Standard Service</u>	<u>Default Service</u>	<u>Total</u>
<u>2001:</u>			
December 2001	<u>\$53,377.04</u>	<u>\$16,344.78</u>	<u>\$69,721.82</u>
2001 Total	\$53,377.04	\$16,344.78	\$69,721.82
<u>2002:</u>			
January 2002	\$3,272.03	\$1,004.82	\$4,276.85
February 2002	\$1,191.95	\$390.52	\$1,582.47
March 2002	\$1,340.77	\$420.52	\$1,761.29
April 2002	\$2,049.54	\$621.60	\$2,671.14
May 2002	\$164,003.56	\$49,415.14	\$213,418.70
June 2002	\$40,725.87	\$12,527.15	\$53,253.02
July 2002	\$43,093.94	\$13,595.88	\$56,689.82
August 2002	\$51,707.71	\$14,719.20	\$66,426.91
September 2002	\$50,083.86	\$14,348.75	\$64,432.61
October 2002	\$41,523.33	\$11,973.32	\$53,496.65
November 2002	\$42,336.98	\$12,576.80	\$54,913.78
December 2002	<u>\$43,729.67</u>	<u>\$13,470.92</u>	<u>\$57,200.59</u>
2002 Total	\$485,059.21	\$145,064.62	\$630,123.83
<u>2003:</u>			
January 2003	\$48,121.91	\$16,611.42	\$64,733.33
February 2003	\$46,853.54	\$16,233.00	\$63,086.54
March 2003	\$5,260.40	\$0.00	\$5,260.40
April 2003	\$4,846.96	\$0.00	\$4,846.96
May 2003	\$4,141.52	\$0.00	\$4,141.52
June 2003	\$5,456.83	\$0.00	\$5,456.83
July 2003	\$4,068.82	\$0.00	\$4,068.82
August 2003	\$4,921.71	\$0.00	\$4,921.71
September 2003	\$4,761.84	\$0.00	\$4,761.84
October 2003	\$4,241.94	\$0.00	\$4,241.94
November 2003	\$3,766.34	\$0.00	\$3,766.34
December 2003	<u>\$5,417.50</u>	<u>\$0.00</u>	<u>\$5,417.50</u>
2003 Total	\$141,859.31	\$32,844.42	\$174,703.73
<u>2004:</u>			
January 2004	\$3,269.89	\$0.00	\$3,269.89
February 2004	<u>\$2,446.39</u>	<u>\$0.00</u>	<u>\$2,446.39</u>
2004 Total	\$5,716.28	\$0.00	\$5,716.28
Grand Total (12/2001 - 2/2004)	\$686,011.84	\$194,253.82	\$880,265.66

Source: Per ISO-NE Invoice, allocated between Standard Offer and Default Service based on load.

Massachusetts Electric Company
Nantucket Electric Company
ISO-NE Charges for GIS
Estimate: March 2004 - December 2004

<u>Service Period</u>		<u>Standard Service</u>	<u>Default Service</u>	<u>Total</u>
<u>2003:</u>				
March 2003	<i>Expected</i>	\$36,070.41	\$14,363.56	\$50,433.97
April 2003	<i>Expected</i>	\$34,226.58	\$14,652.21	\$48,878.79
May 2003	<i>Expected</i>	\$29,024.73	\$11,283.62	\$40,308.35
June 2003	<i>Expected</i>	\$38,112.70	\$13,179.31	\$51,292.01
July 2003	<i>Expected</i>	\$41,027.36	\$13,930.01	\$54,957.37
August 2003	<i>Expected</i>	\$49,524.28	\$16,735.05	\$66,259.33
September 2003	<i>Expected</i>	\$48,106.38	\$15,904.60	\$64,010.98
October 2003	<i>Expected</i>	\$42,896.21	\$14,083.11	\$56,979.32
November 2003	<i>Expected</i>	\$38,132.77	\$13,221.77	\$51,354.54
December 2003	<i>Expected</i>	<u>\$54,895.13</u>	<u>\$20,283.41</u>	<u>\$75,178.54</u>
2003 Total	<i>Expected</i>	\$412,016.53	\$147,636.66	\$559,653.19
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<u>2004:</u>				
January 2004	<i>Expected</i>	\$33,205.43	\$13,202.86	\$46,408.29
February 2004	<i>Expected</i>	\$24,866.95	\$10,269.05	\$35,136.00
March 2004	<i>Estimated</i>	\$25,645.43	\$10,212.24	\$35,857.68
April 2004	<i>Estimated</i>	\$24,334.50	\$10,417.47	\$34,751.97
May 2004	<i>Estimated</i>	\$20,636.08	\$8,022.46	\$28,658.54
June 2004	<i>Estimated</i>	\$27,097.47	\$9,370.26	\$36,467.73
July 2004	<i>Estimated</i>	\$29,169.74	\$9,904.00	\$39,073.74
August 2004	<i>Estimated</i>	\$35,210.90	\$11,898.33	\$47,109.23
September 2004	<i>Estimated</i>	\$34,202.80	\$11,307.89	\$45,510.69
October 2004	<i>Estimated</i>	\$30,498.46	\$10,012.85	\$40,511.31
November 2004	<i>Estimated</i>	\$27,111.74	\$9,400.45	\$36,512.19
December 2004	<i>Estimated</i>	<u>\$39,029.48</u>	<u>\$14,421.15</u>	<u>\$53,450.64</u>
2004 Total		\$351,008.98	\$128,439.02	\$479,448.00
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2003 & 2004 Grand Total		\$763,025.51	\$276,075.68	\$1,039,101.20

Source: Based on ISO-NE allocation methodology and maintenance contract.

Responses to the Department's Third Set of Information Requests

DTE 3-2

Request:

Has ISO-NE revised the method by which it allocates NE-GIS costs to NEPOOL participants during the period 2002-2004? If so, please describe these revisions and discuss how the revised method has affected the NE-GIS costs allocated to the Company.

Response:

The NEPOOL GIS cost allocation rules have not been revised; however, since the implementation of Standard Market Design on March 1, 2003, ISO-NE has changed its billing system and thus has not been billing the NEPOOL GIS costs in accordance with the cost allocation rules.

As a result of the change in the billing process, ISO-NE has been billing, for the most part, the Company's wholesale suppliers rather than the Company. Until a revised billing system is implemented, ISO-NE has asked affected parties to settle the cost allocations among themselves.

Prepared by or under the supervision of: Michael J. Hager

Responses to the Department's Third Set of Information Requests

DTE 3-3

Request:

Is MECo aware of any revisions the ISO-NE intends to make during the upcoming months regarding the method by which it allocates NE-GIS costs to NEPOOL participants? If so, please describe these upcoming revisions and discuss how the revisions will affect the Company. In particular, provide your best estimate of the monthly default service-related costs that the ISO-NE will assess to the Company under the revised allocation method.

Response:

The Company understands that ISO-NE may revise its billing system to enable it to bill the NEPOOL GIS costs in accordance with the cost allocation rules. If implemented, the Company will be directly billed for the NEPOOL GIS costs rather than having its wholesale suppliers billed and having to settle the costs with its suppliers. Please refer to the Company's response to DTE 3-1 for the Company's estimated NEPOOL GIS costs.

Prepared by or under the supervision of: Michael J. Hager

Responses to the Department's Third Set of Information Requests

DTE 3-4

Request:

Please explain why MECo has not included the NE-GIS costs associated with the Company's default service obligations (as identified in Information Requests DTE 2-1 through DTE 2-3 above [sic]) as a "direct retail cost" (defined in Procurement of Default Service, D.T.E. 02-40-B at 17 (2003) as a cost that a distribution company incurs strictly on behalf of its default service customers) to be included in the Company's default service rates.

Response:

As discussed by Ms. Burns on page 8 of her testimony submitted on January 20, 2004 in this docket, the Company has been billed by ISO-NE for the assessment of NE-GIS costs monthly, beginning with the service month of December 2001. Upon receipt of the ISO-NE bill, the Company allocates the NE-GIS cost billed for the month between Standard Offer and Default Service. These monthly amounts are provided in the attachment to the Company's response to Information Request DTE 3-1.

The Company did not quantify the Default Service-related NE-GIS costs in its filing in this docket as (1) this cost had never been recovered by the Company as a component of distribution rates, and therefore treating NE-GIS costs in the same way as other costs in the filing (i.e., quantifying the costs and "transferring" recovery of them from distribution rates to default service rates) would result in the Company not realizing any incremental revenue needed to recover these costs; and (2) the Company had filed to recover Default Service-related NE-GIS costs incurred over the prior twelve months as part of its Exogenous Factor Filing in Docket No. DTE 03-124 and did not want to double-count the impact of this cost in different components of its rates.

Absent recovery of Default Service-related NE-GIS costs as proposed in the Company's Exogenous Factor Filing, the Company believes Default Service-related NE-GIS costs should be recoverable by the Company through its Default Service rates. However, the Company believes that there should not be a corresponding reduction in distribution rates for the amount to be recovered in Default Service rates, as such a reduction assumes that the Company has cost recovery of NE-GIS in its distribution rates, which it does not. In its filing in the instant docket, the Company requested such a determination from the Department that the rate treatment of NE-GIS be handled differently than the other Default Service cost components of the filing.

Prepared by or under the supervision of: Theresa M. Burns